OFFICE OF THE
Auditor General
of British Columbia

Notes on Public Sector Reform and Performance Management

- International Themes
- Australia
- New Zealand
- The United Kingdom
- The United States

Top of Page

Notes on Public Sector Reform
and
Performance Management
The United Kingdom

Table of Contents

The United Kingdom

1. Background

2. Timeline of Main Initiatives

3. Main Initiatives

   3.1. Next Steps
   3.2. Citizen's Charter
   3.3. Performance Management Practices during the Mid-1990s
   3.4. Comprehensive Spending Reviews
   3.5. Modernising Government White Paper

4. Key Elements

   4.1. Legislative Commitment
   4.2. Leadership
   4.3. Setting Objectives and Measuring Performance
   4.4. Performance-based Budgeting
   4.5. Performance-based HR Management
   4.6. Performance Reporting and Reviewing
   4.7. Building Performance Culture

5. Reference

The United Kingdom

1. Background

The United Kingdom Civil Service has a long history. For many years the Civil Service of the United Kingdom was regarded as the best in the world. Most of the civil servants came from middle-class families, who were well-educated, had good reputations and social status. However, by the early 1960s, there was increasing criticism of the civil service. Some critics even condemned civil servants as the main reason for bad policies which caused the stagnation of British Economics.[1]

The most famous criticism was the *Fulton Report* in 1968. Fulton argued that the traditional British civil service was amateurish and incapable of dealing with the problems of an increasingly complex society. Fulton suggested that the Administrative Class should sharpen up its act and its language and style.[2]

The report also recommended changes in the management and structure of the Civil Service and in 1968 the Civil Service Department (CSD) was established. Sir. William Armstrong understood that the job of the CSD was "to carry out a programme of reforming the Civil Service, with the object of improving its efficiency, and its humanity...".[3] The Civil Service Reform in the United Kingdom began to put its emphasis on efficiency of the government. The United Kingdom has evidenced its Civil Service Reform in the three coming decades ever since then.

As it turned out, however, the CSD was not a great success. Its head did not command enough staff to carry weight with the colleagues of Whitehall, or to persuade the HM Treasury, and it was critically dependent on the Prime Minister.

Civil Service reform did not stop with these challenges. Margaret Thatcher placed her stamp upon Civil Service reform when she became the Prime Minister in 1979, and, with her power in hand for 11 years, she made great impact on the Civil Service. The main doctrine of Thatcher's government was:

- Rolling back the state
- Providing value for money for taxpayers
- Getting a grip on public spending
- Privatization
- Learning from best private-sector experience
- Introducing management and efficiency into government

---

[1] Terry Chih-sung Teng, *The Reform of Civil Service in UK since 1980s*, British Politics & Current Affairs, [http://www.cfl.arts.gla.ac.uk/Mag/polciv1.htm], 1996.
[2] The British Council, *The Evolution of the UK civil Service 1848-1997*, [www.britishcouncil.org/governance/manag/civil/index.htm], July 1997.
[3] *Ibid*

105-01417/

These elements brought the Civil Service reform in the UK into a new period with the focus not only on efficiency, but on the concepts of value for money, financial management, and accountability.

However, it seemed unlikely that the Armstrong memorandum, reminding officials of the permanent constraints on their position and of the unchanging nature of their role subordinated to democratically elected Ministers, could be bettered as a statement of classic truth.[4] By 1987, the changes introduced by Thatcher's government had hardly made an impact. However, with Sir Robin Butler as the head of the CSD and the re-election of the conservative government for the second time in 1987, the process began to accelerate.

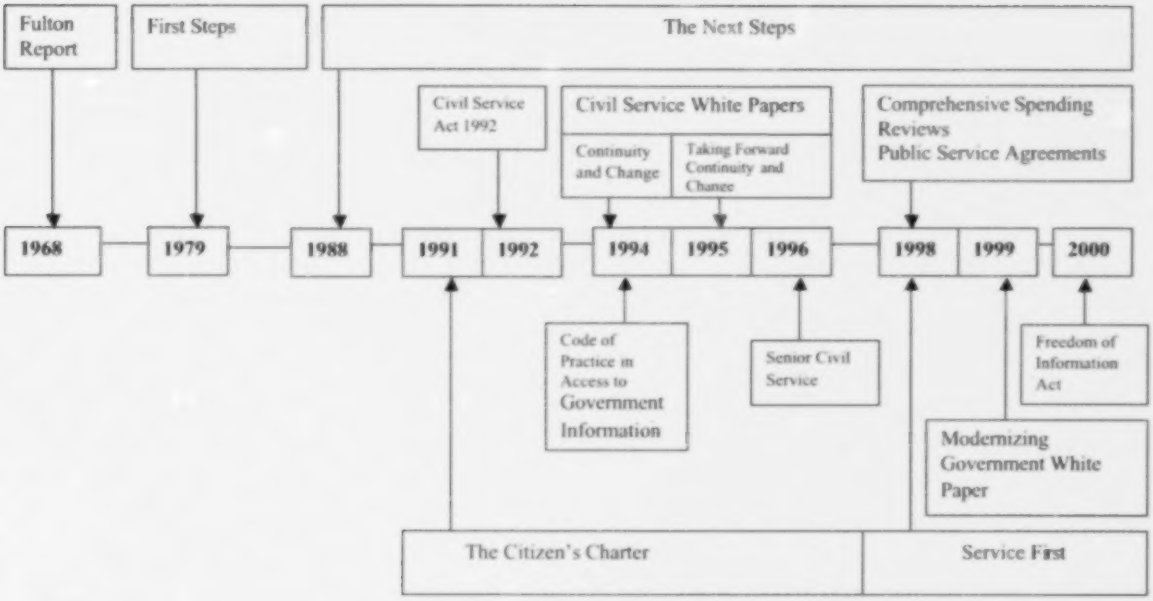
The early initiatives and the socio-economic changes were part of the context of the public management reform in the United Kingdom. The early initiatives changed the attitudes of people. Public servants began to accept that public service should get better results out of limited resources, that the aim of public service was to raise the standard of service and make them more responsible to the users, and that it was important to have effective leadership through delegation of pay and grading.[5] Other drivers included demographic changes that increased the requirements of the civil service; the technological developments that allowed services to respond more efficiently; and the international impacts of globalization.

All the factors above led the UK government in the direction of more accountable performance management reforms in the late 1980s and 1990s.

---

[4] Cited in *Civil Servants and Ministers: Duties and Responsibilities*, Cmnd 9841, July 1986.
[5] OECD, *Strategic Review and Reform—The UK Perspective*, [http://www1.oecd.org/puma/strat/symposium/uk.pdf], OECD: 1999.

Timeline of Main Initiatives in UK



2. Main Initiatives

2.1 Next Steps

As mentioned in the *Background Section*, the reform process was accelerated in 1987. In the 1980s, there were the Management Information System for Ministers (MINIS, 1980) program and the Financial Management Initiatives (FMI, 1982), which were seen as the first steps. However, after several years of these programs, the Efficiency Unit found that the reforms were not enough. In 1988, it issued a more radical program based on the report *Improving the Management of Government: The Next Steps*.

The report recommended that the executive function of government, which was distinct from the policy advice, should be carried out by distinctive unit departments called executive agencies. At the heart of this new approach was the need to reorient systems and attitudes to focus on the delivery of services. The aim was to deliver government service more efficiently and effectively within available resources, for the benefit of taxpayers, customers, and staff. It also recognized that improvement also depended on individuals being personally responsible for the results.

The *Next Steps* report suggested that the establishment of Executive Agencies was the most practical way to deliver civil service. An Executive Agency was defined as a discrete area of work, and was in the charge of a Chief Executive with personal responsibilities to a Minister for the day-to-day management. The Agency was structured around and focused on the tasks to complete. Ministers allocate resources, set annual performance targets for the results to be achieved, and delegate managerial responsibilities to the Chief Executive, who decides how best to run the organization and get the tasks achieved.

As a legislative support, *the Civil Service (Management Functions) Act*[6] was passed in 1992, empowering the government to delegate management functions relating to staff to individual agencies and thereby encouraging the decentralization of the determination of pay and conditions to the agency level. *The Civil Service Act* clarified the legal position regarding delegation of functions from Ministers to other servants of the Crown, including Agency Chief Executives.[7]

The relationships between ministers and Executive Agencies became one more akin to management by contract, in which a "framework document" set out expectations and responsibilities between a minister and agency. The framework document addressed such items as the following[8]:

- Aims, objectives and targets

---

[6] UK Parliament, *The Civil Service (Management Functions) Act 1992*, London: HSMO, 1992.

[7] Statskontoret, *What Lessons Can We Learn from the UK's Next Steps Agencies Model?*, http://www.statskontoret.se/pdf/200123.pdf, Sweden, 2001.

[8] Efficiency Unit, *Improving the Management of Government: the Next Steps*, HMSO, 1998.

- Finance
- Personnel, pay, and training
- Communication and employee relations
- Reporting, evaluation, and accountability

By 2000, there were 140 agencies and 4 departments running on *Next Steps* lines, covering 76% of the Civil Service and around 390,000 civil servants.[9] Reviews and reports were published since 1991 on agencies' activities, resources, performance against the targets, and future targets, and adjustments were made according to the previous reviews. The political response has been positive, and Mr. Major's and Mr. Blair's governments continued it with equal vigour. The relevant Parliamentary selected committee also viewed Next Steps as "transferable technology" that any government would wish to adopt.[10]

To sum up, the *Next Steps* made the separation of a core civil service that was responsible for project designing and the managerial autonomy agencies that engaged in service delivery. Moreover, the *Next Steps* brought the notion of government by contract and a more performance-oriented approach into Whitehall.

2.2 Citizen's Charter

One of the most important initiatives of the Civil Service in the 1990s was the *Citizen's Charter Program*, launched in 1991 by the Prime Minister, Mr. Major. In the introduction to the first publication, Mr. Major states[11],

> "to make public services answer better to the wishes of their users, and to raise their quality overall, have been ambitions of mine ever since I was a local councillor... I want Citizen's Charter to be one of the central themes of public life in the 1990s..."

He also mentioned that

> "There is a well-spring of talent, energy, care and commitment in our public service. The aim of the Citizen's Charter is to release these qualities."

The *Citizen's Charter* was set as a ten-year program, following the previous reforms and adding care and commitment to the qualities that were needed. As noted by Mr. Major the aim was to improve the quality of public services and make them answer better to the wishes of their users. The emphasis has been on improving public servants' efforts to fulfill their duties rather than upon creating new "rights" for citizens.[12]

---

[9] OECD, *Strategic Review and Reform—The UK Perspective*, [http://www1.oecd.org/puma/strat/symposium/uk.pdf], OECD: 1999.
[10] Cited in *The Evolution of the UK civil Service 1848-1997*, [www.britishcouncil.org/governance/manag/civil/index.htm], July 1997.
[11] HSMO, *The Citizen's Charter: Raising the Standard*, Cm 1599, London, July 1991.
[12] The British Council, *The Evolution of the UK civil Service 1848-1997*, [www.britishcouncil.org/governance/manag/civil/index.htm], July 1997.

The first white paper set out the principles which the government expected all public services to follow, the scope of the program, and the agenda for its implementation. There have been four further white papers setting out progress and future plans. The initial focus was on establishing national charters in all of the main central government public services. The main principles of the *Citizen's Charter* are:

- *Standards*. Standards are set, monitored, and published so that users can know what they can reasonably expect.
- *Openness*. Information should be full, accurate, in plain language, and with a clear indication of who is in charge, how services are run, and how much they cost.
- *Choice*. Choices should be provided wherever possible, and users consulted.
- *Courtesy and Helpfulness*. Services are available equally to all, and public servants should wear name tags.
- *Putting Things Right*. Explanations or apologies should be made when things go wrong, and complaints procedures should be clear.
- *Value for Money*. Efficient delivery of services should be provided within affordable resources.

After having been in progress for several years, the *Citizen's Charter* has seen a whole series of mechanisms in place for delivering the basic principles. These include Charters for most government departments that deliver services directly, such as:

- Patient's Charter
- Taxpayer's Charter
- Contributor's Charter
- Parent's Charter
- The Victim's Charter

By 1998, over 40 national charters were in place covering the main public services. In addition, some 10,000 local charters were developed, covering, for example, individual hospitals, local authorities, services, and local schools.[13] Organizations could apply for the Charter Mark Award, given to public services that demonstrated good performance in providing excellent service.

The Charter program provided more information about public services. Performance tables for schools, hospitals, local authorities, and police forces were given to people, for the first time, so they could see for themselves how their local services were performing.[14] Progress under the Charter was reported regularly to Parliament and the public in a comprehensive report by the Prime Minister and Chancellor of the Duchy of Lancaster.

The development of the Citizen's Charter went beyond the simple idea of measuring customers' satisfaction. Consumers' interests were being defined in terms of performance

---

[13] OECD, *Strategic Review and Reform—The UK Perspective*, [http://www1.oecd.org/puma/strat/symposium/uk.pdf], OECD: 1999.
[14] OECD, *In Search of Results: Performance Management Practices*, Paris, 1997.

measurements. The emphasis moved from the initial concentration on setting standards for aspects of progress—for example, the waiting time of hospitals—to developing standards for outcomes—for example, the quality of education that children receive. The policy also seemed to be heading towards performance budgeting so that those organizations with better performance would receive more funds within the total limited budget. The hope was that the organizations with poor performance would improve their service in order to get more funds.

The *Citizen's Charter* did not have a great impact on the machinery of the government, but it did change the mentality and the language of government civil service delivery. It also received praise from the Public Services Committee of the House of Commons, which judged that it had made a valuable contribution to improving public services.[15] The New Labour Government, which renamed the *Citizen's Charter* as *Service First*, shared this opinion.

Following on from several years review of the UK Charter program, and from additional extensive consultation, the Blair Government in the UK re-launched the UK Charter program in 1998. The new charter program still aimed to improve service delivery across the public sector. It built on what had already been achieved throughout the country, but gave a new emphasis to promoting responsiveness, quality, effectiveness, and cross-sector working.[16] The program includes:

- new principles of public service delivery for all services to sign up to;
- a review of the major existing Charters over the next two years;
- detailed guides aimed at improving the quality of national and local Charters;
- a program of new Charters which includes new agencies;
- a nationwide program of consultative workshops.

In addition, changes are being made to the process of Charter development. One example is the move of the Citizen's Charter Unit away from an enforcement role. Instead, the Unit's role is to encourage and assist organisations to instil into their organisational culture a general acceptance of the role that service standards have to play in the successful operation of each organisation. The function of the Unit has become more like that of consultant.

The *Charter Mark* award has also changed. Originally awarded through competitions, it is now given to organisations that have successfully achieved a certain standard after the change. Organisations whose services reach the standard will automatically receive a Charter Mark award; this avoids an artificial limit on the number of organisations that could receive the award and encourages organizations to improve their performance.

2.3 Performance Management Practices during the Mid-1990s

---

[15] The British Council, *The Evolution of the UK civil Service 1848-1997*, [www.britishcouncil.org/governance/manag/civil/index.htm], July 1997.
[16] Service First Unit, *Service First: The New Charter Program*, [http://www.servicefirst.gov.uk/1998/sfirst/bk1toc.htm], 1998.

During the mid-1990s, public sector reform focused on the continuing development of performance management in the UK Civil Service

The Code of Practice in Access to Government Information came into effect in April, 1994. The code was not simply concerned with answering requests for information, but with providing facts and analysis connected with major policy decisions, explanatory guidelines about departments dealings with the publics and information under the *Citizen's Charter* about targets, cost, performance, and methods of complaints and redress of public services. A revised code came into effect in 1997.[17] The vast majority of the amendments to the *Code* represent steps towards greater openness and accountability.

The Civil Service White Papers refer to two reports: *Continuity and Change* (1994)[18] and *Taking Forward Continuity and Change* (1995)[19], which were published by the Office of Public Office to sum up and, in a sense, to stabilize the process of continuous changes in the Civil Service. Government reaffirmed its commitment to maintaining a permanent civil service based on the values of integrity, political impartiality, objectivity, selection and promotion on merit, and accountability through Ministers to Parliament. Pay and grading was delegated to departments. The Civil Service Commission, part of whose functions have been taken over by Recruitment and Assessment Services (an Executive Agency), saw elements of privatization. The White Papers also expected further improvement in performance with tightly-controlled running costs and the elimination of unnecessary layers of management. In essence, the two reports have both reshaped the civil service and placed it in a position to evolve in the future.

The *Senior Civil Service(SCS)* was created in April 1996 to fulfill a policy of the 1994 White Paper *Continuity and Change* by acting as a deliberate counter-balance to the delegation of terms and conditions to department and agencies. Over 3,000 senior managers and advisers, while employed and managed by their own departments, had a broader identity as part of a cohesive group at the top of the service and are covered by a common framework of terms and conditions. This framework gave limited scope to the employing department or agency to vary terms and conditions, and includes:

- A common pay system, contracts and job evaluation methodology (JESP – Job Evaluation for Senior Posts);
- A common appraisal system using SCS core criteria or competencies;
- Inter-departmental mobility arrangements including agreements on vacancy filling; and
- Training and development events.

Whilst the overall systems were common, there was some room for the systems to be tailored to meet local needs. With some exceptions, responsibility for all key pay and

---

[17] Lord Chancellor's Department, *Code of Practice in Access to Government Information*, [http://www.lcd.gov.uk/foi/codpracgi.htm], 1997.
[18] Office of Public Service, *The Civil Service: Continuity and Change*, Cm 2627, London: HMSO, 1994.
[19] Office of Public Service, *The Civil Service: Taking Forward Continuity and Change*, Cm 2748, London: HMSO, 1994.

career decisions rested with local management. The Senior Civil Service constituted a coherent corporate recourse serving and underpinning collective government. The possibilities of wider and open competition was considered for many Senior Civil Service vacancies. The pay system also related pay to performance.

The practices during the mid-1990s were not seen as significant as those at the turn of the 1980s and the 1990s. However, these practices confirmed and strengthened the previous reforms, and pushed the wheels of reform further towards responsibility and accountability.

2. 4 Comprehensive Spending Reviews

As before, Civil Service reform did not stop with a change in government. One of the main initiatives of the new government was the *Comprehensive Spending Review (CSR)*, which was undertaken in place of the normal public spending survey that would have been conducted during the autumn leading up to a Unified Budget in late November 1997.

The review was conducted in two tiers – a large number of separate departmental reviews (over twenty) feeding into the wider overall review conduct by a Cabinet committee of senior Ministers looking across government as a whole.[20] The CSR examined the resources allocated to each area of spending and, for the first time, the government published the service improvements and reforms required in return for the resources allocated to the departments' expenditure programs.[21]

In July 1998, the government published the White Paper *Modern Public Services for Britain: Investing in Reform – Comprehensive Spending Review: New Public Spending Plan 1999-2002*[22], setting out the results of the CSR and the new public spending plans for the period 1999 to 2002. In December 1998, another White Paper *Public Service for the Future: Modernisation, Reform, Accountability – Comprehensive Spending Review: Public Service Agreements 1999-2002* was published[23], setting out Public Service Agreements (PSA) that set out aims and objectives for each department as well as performance targets including measures of operations and outcomes.

---

[20] OECD, *Strategic Review and Reform—The UK Perspective*, [http://www1.oecd.org/puma/strat/symposium/uk.pdf]. OECD: 1999.

[21] HM Treasury, *Outcome Focused Management in the United Kingdom*, [http://www.hm-treasury.gov.uk/media//1BE78/GEP_outcome%20focused%20management.pdf]. London, 2002.

[22] HM Treasury, *Modern Public Services for Britain: Investing in Reform -- Comprehensive Spending Review: New Public Spending Plans 1999-2002*, Cm 4011, [http://www.archive.official-documents.co.uk/document/cm40/4011/4011.htm]. London, July 1998.

[23] HM Treasury, *Modernisation, Reform, Accountability – Comprehensive Spending Review: Public Service Agreements 1999-200*, Cm 4181, London, December 1998.

Since 1998 the CSR departments have been given budgets for three-year periods and allowed to carry forward money not spent in one year to the next, which has promoted medium-term planning by departments and taken away the incentive to wastefully spend money at the end of the year. As part of the CSR, each department has a *Public Service Agreement* (PSA) which is agreed between the Departments and the Treasury. It is a short document that consists of the department's aim, objectives, and high-level performance targets. In addition, the PSA also includes a statement of who is responsible for its delivery. As stated in the *Public Service for the Future: Modernisation, Reform, Accountability*, "while the PSAs are intended to set out firm plans, departments will also be seeking, where they can and within existing recourses, to better existing targets and some departments may wish to add to them. "[24]

Further, since the 2000 Spending Review (SR2000) there have been some adjustments. First, the number of targets was reduced from 600, which was considered too many to follow, to 160. Second, there was a shift from setting a large number of output and process targets (process 51%, output 27%, and outcome 11%[25]) to setting a smaller number of mainly outcome targets (outcome 67%, process 14%, and output 9%[26]). This change reflected the government's intention to make real changes to people's experience of public services and the need.

PSAs were further supplemented in SR2000 by *Service Delivery Agreements (SDA)*[27], which outlined how the department intends to deliver its PSA targets. SDAs provided links between the PSAs and the more detailed business plans of departments and their agencies, which allowed government's high-level targets to cascade down to the operational level. *Technical Notes* were also introduced, giving details on how departments' performance against PSA targets would be measured.

Departments reported to HM Treasury on their performance against the targets on a quarterly basis. Although Parliament had no formal role in setting the Government's high level PSA targets, the publication of performance against these targets provided an important tool for Parliament in its role of scrutinizing the executive.

The UK Government was aware of the issues with cross-departmental boundaries, where access to funds depended on the agreement of all ministers concerned. A critical part of the spending review process was the use of *Cross-Cutting Reviews*[28] to determine

---

[24] *Ibid.*

[25] House of Commons Treasury Committee, *Ninth Report: Spending Review 2000*, [http://www.publications.parliament.uk/pa/cm199900/cmselect/cmtreasy/485/0072003.htm], London, 2000.

[26] National Audit Office, *Measuring the Performance of Government Departments*, [http://www.nao.gov.uk/publications/nao_reports/00-01/0001301.pdf], London, 2001.

[27] HM Treasury, *Spending Review 2000: Service Delivery Agreements 2001-2004, A Guide*, [http://www.hm-treasury.gov.uk/spending_review/spending_review_2000/service_delivery_agreements/spend_sr00_sda_index.cfm], London, 2000.

[28] HM Treasury, *Cross-Cutting Reviews*, [http://www.hm-treasury.gov.uk/spending_review/spend_ccr/spend_ccr_index.cfm], London, 2000.

how best to co-ordinate the work of those departments whose areas of interests overlap and to ensure delivery.

The CSR allowed government to tie the allocation of resources explicitly to commitments by departments to achieve specific and measurable performance targets. Under the reform, government departments were free to reallocate funds between different streams of their expenditure programs. Once departments agreed to their PSA commitments, they were free to use resources flexibly in order to ensure that they would meet their objectives. The CSR, thus, promoted both greater planning and performance delivery.

As noted in the *News Release* to the White Paper *Public Service for the Future: Modernisation, Reform, Accountability – Comprehensive Spending Review: Public Service Agreements 1999-2002*, as "a revolution in the Government's approach to public services"[29], the CSR was considered a milestone in the Civil Service Reform of the United Kingdom towards greater accountability.

2.5 Modernising Government White Paper

> "Government has a mission to modernise – renewing our country for the new millennium... The new issues are the right issues: modernising government, better government, getting government right."[30]

With this mission in mind, the Blair Government published the *Modernising Government White Paper* in 1999 as the Government's agenda for modernising Public Services, setting out its vision making government smaller and making life better for the citizens and business, by more strategic policy making and joined-up services.

The White Paper outlined the Government's ambitions in the UK to modernize government with the idea of changing the way that services are planned and provided so that they are "citizen-centred". As a long term program, Modernising Government would be achieved through five key principles:

- *Policy Making*. With more emphasis on outcomes, improving the way risk is managed, tackling cross-cutting policies, expecting departments and other bodies with overlapping concerns to work together, better regulations and evaluating the impact of government programs.

---

[29] HM Treasury, *News Release* on *Public Service for the Future: Modernisation, Reform, Accountability – Comprehensive Spending Review: Public Service Agreements 1999-2002*, [http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/1998/press_212_98.cfm], London, 17 December 1998.

[30] Cabinet Office, *Modernising Government White Paper*, Foreword by The Prime Minister, Tony Blair, [http://www.nao.gov.uk/publications/nao_reports/00-01/0001301.pdf], London, 1999.

- *Responsive Public Service*. To meet the needs of citizens in a joined up way through, for example, encouraging partnerships at all levels of government, and developing a more co-ordinated approach to delivering services.
- *Improving the Quality of Public Services*. With more emphasis on what taxpayers get for their money through clearer target setting, PSAs to shift the focus from inputs to outcomes, benchmarking to spread excellence, and a whole systems approach to performance management and inspection, thereby improving the effectiveness of the whole system.
- *Information Age Government*. Making better use of information technology through electronic commerce and electronic services for citizens and business. A new target has been set that all dealings with government be deliverable electronically by 2008.
- *Public Service*. Improving the performance of the Civil Service through better training, incentives, and more emphasis on innovation, drawing on private sector skills.

The first *Modernising Government* annual report *Citizens First*[31] was published in September 2000. The report captured the spirit of the modernisation program, with over 45 examples of how the Government's strategic vision (better government to make life better for people) has been translated into real action. These examples included Trade Partners UK using the Internet to send sales leads directly to businesses, Tenants auditing Sandwell Council's housing policies, NHS Walk-in Centres offering healthcare advice without the patient having to take time off work to make an appointment, etc.

In November 2000, Parliament passed the *Freedom of Information* Act[32]. The Act is an extension of the *Data Protection Act 1998* and gives a general right of access to all types of 'recorded' information held by public authorities, sets out exemptions from that right and places a number of obligations on public authorities.

Noted as "the biggest investment in public service in modern times"[33] in Prime Minister Mr. Tony Blair's *Introduction* to *Citizens First*, the Modernising Government Program offered a challenge to the whole public service to modernise the government, to achieve citizen-centred services, to integrate policies and programs, to join up service delivery across departments and agencies, to harness the potential of information technology, to value the ideals of public service, and to get the best out of staff. As a "mixture of the old themes"[34], the Modernising Government Program is the overall plan for the UK Civil Service in the 21st Century.

---

[31] Cabinet Office, *Citizens First*, [http://www.cabinet-office.gov.uk/moderngov/download/anreport.pdf], London, 2000.
[32] UK Parliament, *Freedom of Information Act*, [http://www.hmso.gov.uk/acts/acts2000/20000036.htm].London: HSMO, November 2000.
[33] *Ibid*.
[34] Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis*, Oxford: Oxford University Press, 2000, p. 274.

3. Key Elements

Over more than thirty years, there have been many significant initiatives in the UK Civil Service Reform. Even though there were different features at each stage within different governments, these initiatives share some common features and key elements.

3.1 Legislative Commitment

There has always been strong legislative commitment to the UK Civil Service Reform. *The Civil Service (Management Functions) Act* passed in 1992 empowered the government to delegate management functions relating to staff to individual agencies, and decentralization of the determination of pay and conditions to the agency level has been encouraged. The *Freedom of Information Act* was also passed in 2000 to ensure the access to information of public authorities, which enforced the transparency and accountability of the civil service.

The House of Commons of UK also provides support through its select committees. The select committees of the House of Commons have reviewed the reform programs, and provided recommendations to the programs.

3.2 Leadership

Leadership has been a critical successful factor through the whole process of the Civil Service Reform of the United Kingdom. Evidence suggests that political support is important. For instance, some of the *Next Steps* changes were, in practice, very similar to the recommendations of the 1968 *Fulton Report*. However, the reforms were achieved in the 1980s, having failed in the 1970s. The key difference between the two attempts was the political leadership supports. Since the end of the 1970s, when Thatcher's Government came to power, the leadership supports from the political aspect has been strengthened. In the following 20 years, the UK government, no matter Conservative or Labour, have strongly committed the Civil Service Reform towards better government.

Leadership for change has not only come from the political level, but also from within the executive level of the Civil Service. For example, in the case of the Citizen's Charter, high level commitment across the public service has proved essential and has been recognized with *Charter Mark* winners.

3.3. Setting Objectives and Measuring Performance

The Civil Service Reforms of the UK have a clear common objective of ensuring accountability for performance. The delivery of services is separated from the formulation of policy. Each organization has a clearly defined task, which is set out in the framework document. Detailed plans are required, setting out aims, goals, and targets that cover financial performance, efficiency, effectiveness, and service quality. Clear measures have been developed for monitoring and reporting. Clear principles have also

been published, which can be adapted to fit different circumstances, rather than a completely rigid model.[35] This has been considered one of the successful factors to the reforms.

As a comprehensive program, performance management in the UK has been initiated from the top. All the major initiatives have been centrally initiated and participation is not at the discretion of departments and agencies. Performance targets are set by the ministries after consultation with the agencies. The use of instruments has often been mandatory rather than voluntary. Although the reforms are comprehensive and centrally initiated, it is considered important to ensure flexible implementation and in practice, the performance targets are developed in discussions between the department and the agencies. While adhering to basic principles, the three-year CSR circle also provides departments and agencies with flexibility in setting and adjusting their targets.

One problem often raised was that there were too many targets to measure, leading to incomplete performance information from the agencies. Attention has been paid to this problem. For instance, the number of targets was reduced from 600 in year 2000 to 160 in year 2001. Another problem was that the items targeted and measured for agencies might not be the most important aspects of their activity, but simply those things that were easiest to count at the point when targets needed to be designed. One general lesson from the past reforms was the need to become more sophisticated in the use of performance measures. It is recognized that outcome and performance analysis should be introduced as part of resource accounting and budgeting to reflect such a sophisticated approach.

3.4 Performance-based Budgeting

Performance measures and indicators are used in the budget process to set and review the budget, and to facilitate regular evaluation of achievements against objectives. The UK Government has put its efforts into planning and monitoring systems. The allocation of resources is combined with the setting of annual performance targets. The most significant practice in performance-based budgeting is the *Comprehensive Spending Reviews*, which allow government to tie the allocation of resources explicitly to commitments by departments and to the achievement of specific and measurable performance targets.

3.5 Performance-based HR Management

Performance-based pay is seen as an important aspect to improving civil service efficiency. As such, the Civil Service of the UK made performance-based pay a key element of its reforms. Performance information is increasingly important in relation to

---

[35] For more information about these principles, please refer to the relevant documents.
Audit Commission, *Aiming to Improve: the Principles of Performance Measurement*, http://www.audit-commission.gov.uk/Products/AC-REPORT/72370C4D-1030-4b87-88F4-CD2A14B2A1AE/mpgperfm.pdf, London, 2000.
National Audit Office, *Measuring the Performance of Government Departments*, [http://www.nao.gov.uk/publications/nao_reports/00-01/0001301.pdf], London, 2001.

the pay arrangement. A key principle of the *Citizen's Charter* is to link the individual's pay and his or her contribution to the achievement of the organization's objectives. The employment of the chief executive of a *Next Steps* Agencies and his or her performance pay relate to the agency's performance against the targets set by the minister.

The *Public Sector Excellence Programme* [36](formerly called Public Benchmark Project) encourages organizations and their managers to conduct self-assessments against the *Business Excellence Model*, which helps them better understand their performance and their position relative to other organizations, and better identify their strengths and areas for improvement. The program encourages the public sector to share best practice more systematically with each other, with the private sector, and with most successful government bodies.

3.6 Performance Reporting and Reviewing

The department and agencies are responsible and accountable to the Parliament and the public through periodic reports. For instance, all the *Next Steps* Agencies publish annual reports and accounts. In addition, the Cabinet Office publishes the annual *Next Steps Reviews*, summarizing the performance of all the Executive Agencies and providing comparative data. Similarly, there are annual reports published by the Cabinet Office on the *Modernising Government Program*. Performance information from these reports will be used in budgeting and planning processes for the future. From the review perspective, it is important to have the ability to review initial changes before too long. In the *Next Steps* program, for instance, this is done by the regular review of agency framework documents. With the passing of time, the focus of reviews has been more and more on outcomes. As noted in the *Modernising Government* White Paper, reviews will take into account the views of customers, and look at the scope for improving services through collaboration.

3.7 Building Performance Culture

Civil Service Reform does not only refer to the changes in the structure of the government, or to changes of policies, but is also important in changing the culture and people's mentality. After many years of reform in the UK, the majority of people working in the public sector share the view that this has been a radical change and that it has brought significant benefits in terms of efficiency, effectiveness, clear focus on results, greater transparency, and greater accountability to taxpayers. Moreover, the concepts of delegation, wider business/customer involvement, and the introduction of experience from the private sector have all been applied widely across the public sector.

---

[36] Cabinet Office, *Public Sector Excellence Programme*, [..:tp://www.cabinet-office.gov.uk/eeg/1999/benchmarking.htm], London.

Reference

Audit Commission, *Aiming to Improve: the Principles of Performance Measurement*, http://www.audit-commission.gov.uk/Products/AC-REPORT/72370C4D-1030-4b87-88F4-CD2A14B2A1AE/mppperfm.pdf, London: Audit Commission, 2000.

Cabinet Office, *Modernising Government White Paper*, Foreword by The Prime Minister, Tony Blair, [http://www.nao.gov.uk/publications/nao_reports/00-01/0001301.pdf], London: Cabinet Office, 1999.

Cabinet Office, *Citizens First*, [http://www.cabinet-office.gov.uk/moderngov/download/anreport.pdf], London: Cabinet Office, 2000.

Cabinet Office, *Public Sector Excellence Programme*, [http://www.cabinet-office.gov.uk/eeg/1999/benchmarking.htm], London: Cabinet Office, 2000.

Efficiency Unit, *Improving the Management of Government: the Next Steps*, London: HMSO, 1998.

HM Treasury, *News Release* on *Public Service for the Future: Modernisation, Reform, Accountability – Comprehensive Spending Review: Public Service Agreements 1999-2002*, [http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/1998/press_212_98.cfm], London: HM Treasury, 17 December 1998.

HM Treasury, *Modern Public Services for Britain: Investing in Reform -- Comprehensive Spending Review: New Public Spending Plans 1999-2002*, Cm 4011, [http://www.archive.official-documents.co.uk/document/cm40/4011/4011.htm], London: HMSO, July 1998.

HM Treasury, *Spending Review 2000: Service Delivery Agreements 2001-2004, A Guide*, [http://www.hm-treasury.gov.uk/spending_review/spending_review_2000/service_delivery_agreements/spend_sr00_sda_index.cfm], London: HM Treasury, 2000.

HM Treasury, *Cross-Cutting Reviews*, [http://www.hm-treasury.gov.uk/spending_review/spend_ccr/spend_ccr_index.cfm], London: HM Treasury, 2000.

HM Treasury, *Outcome Focused Management in the United Kingdom*, [http://www.hm-treasury.gov.uk/media//1BE78/GEP_outcome%20focused%20management.pdf], London: HM Treasury, 2002.

House of Commons Treasury Committee, *Ninth Report: Spending Review 2000*, [http://www.publications.parliament.uk/pa/cm199900/cmselect/cmtreasy/485/0072003.htm], London, 2000.

HMSO, *The Citizen's Charter: Raising the Standard*, Cm 1599, London: HMSO, July 1991.

Lord Chancellor's Department, *Code of Practice in Access to Government Information*, [http://www.lcd.gov.uk/foi/codpracgi.htm], London, 1997.

National Audit Office, *Measuring the Performance of Government Departments*, [http://www.nao.gov.uk/publications/nao_reports/00-01/0001301.pdf], London: NAO, 2001.

National Audit Office, *Measuring the Performance of Government Departments*, [http://www.nao.gov.uk/publications/nao_reports/00-01/0001301.pdf], London: NAO, 2001.

OECD, *Strategic Review and Reform—The UK Perspective*, [http://www1.oecd.org/puma/strat/symposium/uk.pdf], Paris: OECD, 1999.

OECD, *In Search of Results: Performance Management Practices*, Paris, 1997.

Office of Public Service, *The Civil Service: Continuity and Change*, Cm 2627, London: HMSO, 1994.

Office of Public Service, *The Civil Service: Taking Forward Continuity and Change*, Cm 2748, London: HMSO, 1994.

Pollitt, Christopher and Bouckaert, Geert, *Public Management Reform: A Comparative Analysis*, Oxford: Oxford University Press, 2000.

Service First Unit, *Service First: The New Charter Program*, [http://www.servicefirst.gov.uk/1998/sfirst/bk1toc.htm], London: HMSO, 1998.

Statskontoret, *What Lessons Can We Learn from the UK's Next Steps Agencies Model?*, http://www.statskontoret.se/pdf/200123.pdf, Sweden, 2001.

Teng, Terry Chih-sung, *The Reform of Civil Service in UK since 1980s*, British Politics & Current Affairs, [http://www.efl.arts.gla.ac.uk/Mag/polciv1.htm], 1996.

The British Council, *The Evolution of the UK civil Service 1848-1997*, [www.britishcouncil.org/governance/manag/civil/index.htm], July 1997.

UK Parliament, *The Civil Service (Management Functions) Act 1992*, London: HSMO, 1992.

UK Parliament, *Freedom of Information Act 2000*, [http://www.hmso.gov.uk/acts/acts2000/20000036.htm], London: HSMO, November 2000.